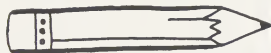


INSIGHT



on Coinage

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EDITORIAL

September is upon us and that brings to mind the good old days we loved to hate - our return to school. Our school was one of those with its main hall lined with class photographs showing the yearbook portraits of all the graduates since 1789! Occasionally, we would wander along the hall and study the faces, hair styles, ties and jackets of the alumni and wonder who they were and what they did. It gave us an eerie feeling.

We had a similar feeling sweep over us at the Anniversary convention of the ANA as we signed the guest book which was surrounded by photographs of previous conventions and ANA members. We would never get to know any of these people either; but we are all connected (just as schoolmates) by the ANA and the great hobby of Numismatics. It makes us wish we had begun writing Insight on Coinage years ago because time goes so quickly and soon we will all be part of the photo collection.

While on the subject of school, we attended the ANA mini-seminar in Chicago and the old dog learned some new tricks! We must give credit to J.P. Martin for a very professional class AND one of the best numismatic terms we have ever heard! We have taught collectors for years that they MUST tip and rotate a coin in the light while examining it. J.P. Martin used a perfect word for this. Moving a coin in the light makes its surface "light-dynamic" (see page 6). Why couldn't we think of that word before!

Finally, our first column appeared in the 8/13 issue of Numismatic News. As we promised, Insight will carry the complete story-behind-the-story of experiences we share in the column. See this month's Too Hot To Handle for the story behind the first Panama Pacific \$50 we ever saw.

TOO HOT TO HANDLE

The most important requirement for coin authentication is to know what a genuine coin should look like for the type of coin you are examining. In our Numismatic News column, we related how we thought the first Panama Pacific \$50 gold coin we ever saw was a fake... Let's go back to early 1973 for the "whole story". We feel there is a valuable lesson for you!

One beautiful day in D.C., we received a call from a gentleman who was here for a visit. He was anxious to have a Pan Pac \$50 authenticated. He explained that the coin was given to him as a gift on his tenth birthday nearly sixty years before. We were excited to have a chance to examine such an interesting and valuable coin as up to now, we had only seen photos of these coins.

The appointed hour arrived and so did the gentleman. After filling out the submission forms, he reached into his pocket and pulled out a very

worn octagonal slug. The piece was a borderline VF with most of its design worn smooth! Quite a disappointment for us. We accepted the coin and took it back into the laboratory in order to give him our preliminary opinion.

After both the Director and myself examined the coin using a stereo microscope, we turned to each other and had a good laugh. Sure we thought, we'll just bet this guy has had this coin for over sixty years. It sounded like the old "grandfather" story people often use when trying to pass-off a fake coin as genuine.

We were convinced the coin was a counterfeit which someone had worn down to make it look as if it circulated. Under a microscope, it had a rough wavy surface, rounded "fatty" letters, and the low relief we expected to see on cast counterfeits of the time.

The old gentleman had paid over \$100 to have the coin authenticated. We didn't think it would look good if we came out of the lab after only five minutes declaring the coin to be counterfeit, so we told him it would take us more time to authenticate it because of its low condition. He agreed to return the next day. When he had left, the director had an idea. Since it was such a beautiful day, he thought we should walk over to the Smithsonian Institution for a visit. We could use the Pan Pac as an excuse to do some comparison work and get out of the office. Why? We already knew the coin was counterfeit. The boss, fresh air, and sunshine won out.

You can predict the rest of the story. We proudly walked into the Numismatic Department of the Smithsonian with a great story to tell about how this old guy was trying to slip a fake past the ANACS authenticators; and walked out with humble pie all over ourselves! As we compared the well worn coin with a high grade example from the National Collection, in less than five seconds we began to suspect that something was wrong. WE WERE!

The genuine coin had the same rough, wavy surface and rounded low relief found on our coin. The nail in our coffin came as we continued to compare the two pieces. Although the surface of our coin was badly worn and had been cleaned or polished sometime before, the mint mark was bold and sharp. As soon as we viewed the mint mark on the genuine, which was also the sharpest part of its design, we realized that both coins had the same style "S" mint mark as was used for genuine 1909-S V.D.B. cents and other coins struck in San Francisco.

This coin taught us the importance of knowing what the genuine coin should look like and also to be more careful before we condemn a coin. It also opened a new line of research for us as we wanted to know why a genuine coin was designed and produced in such a way as to make it appear to be a cast counterfeit! The next day, we returned the coin to the old gentleman who informed us that he had carried it in his pocket as a lucky piece for over fifty years. We never told him that his coin was lucky for us also - it kept us from making fools of ourselves and a terrible mistake. It also provided us with a painless education in the art of authentication. He had quite a coin.

ADVICE AND DISSENT

We have been inside a few "boiler room"-style telemarketing operations and lived to tell about it! The companies we visited are no longer in business; however, the owner of one, has started

a new company under another name. In addition, members of the sales staff of these companies have either opened their own telemarketing companies, or moved on to other companies. A good salesman can sell practically anything. Once these people become proficient with the special jargon of numismatics, they can usually convince a prospect they deal with (called a "fish", "turkey", and much worse) that they are highly knowledgeable numismatists, the real "experts" who know market trends. The offer of a sure-fire, safe investment with high returns in a short period of time coupled with a promise of total guaranteed liquidity is the main ammunition they use to make a sale. This incentive backed with reports on the past performance of rare coins from the Salomon Brothers Index and numismatic press PLUS the "guarantee" of correctly graded third-party coins, makes the job of a coin telemarketer easy.

We were told that one of the first priorities needed to begin a boiler room was to establish a good numismatic track record with references and memberships in National and State Organizations. One owner even bragged about how many organizations he was able to join within one month of operation.

The telemarketers we have visited were located in modern high-rise office buildings with banks on the ground floor. This allowed most of the inventory to be kept downstairs in the bank's vault. As you will see, in many cases this was a ruse as coins were often bought on credit from a supplier only after they had already been sold. The inventory didn't exist!

The sales offices were sparse yet modern; you don't need much except desks and phones to be a telemarketer. One firm we visited was operated from an apartment living room for several months! In larger firms, most of the decorating funds were used for the owner's office and the reception area even though visitors were not encouraged. Other parts of the suite included a conference room, mail room, walk-in safe, kitchen and laboratory, storage rooms, and the "boiler room" where the actual sales calls are made. The "boiler room" is the largest and most important area of the operation. It's the heart, the place where all the action takes place.

NOTE: We'll save our description of the various laboratories we've seen for an article on "coin doctors and their methods".

We were initially struck by the deserted look of this room and the complete lack of clutter on the desks. They were all basically empty with no numismatic books except for an occasional Red Book or copy of the Coin Dealer Newsletter. This emptiness coupled with the lack of reference books is one of the main differences between a boiler room and a major coin dealership which also makes phone sales! Telemarketers in boiler rooms are not numismatists. They only "talk a good story" while using words like investment, profit, limited-time and special. These guys are good at what they do! By slanting the facts, and selling second or third-tier grading services products they are able to weave an attractive scenario to entice the greed in all of us. Remember the old saying, "If it sounds too good to be true, it probably is."

A common layout for a boiler room has the salesmanager's desk centrally located or at one end of the room close to the owner's office and a dozen desks for the sales staff. The major equipment of the telemarketer is of course, the telephone. Each desk has a phone and the salesmanager has two; BUT these are not just ordinary telephones. The phone system is like a giant spider-web. All the sales phones are connected to the salesmanager and owner so that each could monitor any calls. The phone system was backed-up by a desk-top computer connected to the company's inventory or other computer coin networks. Computers were in the owner's office and on the salesmanager's desk only as the sales staff just sold coins - any coins! They didn't need to know what was available at a particular moment. Whatever the customer wanted to buy, from gold to copper, would be "in stock" in the requested grade. Otherwise, they would push what was hot at the time, prooflike Morgan dollars in MS-65.

Additionally, each of the sales phones was modified. The normal mouthpiece was replaced with a special part which filtered out all of the background noise in the room! It's a good thing, because the background noise got loud and often bizarre at times. On several occasions, we have witnessed a salesmanager literally screaming instructions and obscenities at a salesman while standing at his shoulder as the actual sales pitch to the client took place! The manager was always available to help close a sale if he overheard trouble or was signaled by the staff. He could say anything, without being heard. Of course, we didn't believe what we saw (someone scream next to a phone without being heard at the other end). We requested a personal demonstration and must report that the "gadget" on the phone receiver works!

Combined with the loud yelling in the room, it was amazing to hear the language and tone of voice used to badger a potential customer into making the "purchase-of-their-lifetime" which has already been graded by a disinterested third-party expert (translated as Brand-X grading service). Words like "stupid idiot, and "jerk" were often screamed at clients who questioned or resisted the sales pitch concerning coins they couldn't pass up. We can not imagine the intelligence level of a customer who would let this type of verbal abuse and yelling enter a sales pitch; but we watched and listened as orders were taken for coins.

Coins were sold at huge mark-ups. Brand-X slabs or raw coins from any service except PCGS and NGC were offered at full greysheet prices or slightly lower in order to look like a real bargain. Raw coins with older certificates from other grading services generated huge profits. Even a grading service such as NCI was abused because their coins often traded at steep discounts (listed on the front page of the greysheet). These were purchased wholesale at the discount price and then retailed at the same prices asked for coins which were not discounted in the market! Another method used to guarantee profit (for the telemarketers) was to buy coins certified by one of the major services such as PCGS or NGC and send it to one of the other services which graded more liberally. Many advertise to examine slabs and reholder those which can be given a higher grade! Often two of the longest established grading services which graded coins with a technical system were major targets for this practice (see Insight Volume 2, Number 3 and 5). While a gem coin could only be graded MS-64 by one of

EXTRA

At our Basic Grading Seminar at Roger Williams College in Bristol, Rhode Island, one of our longtime friends, not a numismatist, read an issue of Insight on Coinage and commented that he thought it was interesting, and easy to read; however, he didn't understand all the terms! We consider that a reminder to include a mini-glossary every few issues. Sorry Dave.

This is a continuation of our simplistic numismatic glossary of the words or slang used in previous newsletters:

Strike: (1) Act of making a coin. (2) Strength of the design impression on a coin.

Luster: The reflection of light from a surface. Original Mint Luster on natural coins has a specific "look"

Counterfeit: An imitation made to be passed-off as genuine.

Die: A steel cylinder with a negative image of a coin design sunk into one end. Two dies are used simultaneously on a coining press to strike a coin.

Numismatics: Study of money including coins, metals, tokens, and paper.

Certification: Attesting to the quality or genuineness of an object.

Grade: Condition of preservation of an object. In modern numismatics, this has been twisted to assess the value of an object.

Undergrade: To incorrectly grade a coin lower than it merits.

Overgrade: To incorrectly grade a coin higher than it merits.

Commemorative: Special coin, often not a regular issue, to honor a subject.

Greysheet: Weekly coin market information and price guide.

Overdate: Coin with two different dates visible over one another resulting from a modification to the dies.

Mint Error: An incorrectly made coin or portion of such resulting from the improper functioning of mint machinery, sub-standard preparation of coinage material, willful caprice, or poor quality control at the mint.

Variety: Change from the standard. This can result from deterioration of the coinage dies, and willful or accidental modification of the dies.

Gem: Adjective which once described near perfection which has been debased by modern numismatists to mean a little above average, the middle of the Uncirculated grade range.

Cherrypick: To acquire an object for far less than it is worth because it was unnoticed, incorrectly identified, or under-valued.

CORRECTION

We always tell our seminar students not to believe everything they see in print. Well it just happened to us. In our column on counterfeits appearing in the 9/17/91 issue of Numismatic News, a photo was used out of context and also mislabeled. The photo of the 1907 \$10 gold coin is an example of a genuine U.S. Mint product which looks like a fake! It's a case where the genuine coin looks so bad, that it even fooled some people at the newspaper. We hope to clear this up in print in our next column. Until then, there is going to be a few knowledgeable numismatists thinking that we should be called an "Ex-Pert"!

the "commercial" services because of strike-weakness, it would rate a full MS-65 grade technically.

One ploy used by the telemarketers to avoid trouble with state law enforcement agencies was to limit sales to out-of-state customers. As a result, most of these services had a pretty good business rating and no major problems with state authorities. One telemarketer told us how easy the different third-party grading services and lack of universal grading standards have made his business. His company was isolated from claims made about overgrading because they didn't grade the coins. What could be simpler? Because of a crackdown on the telemarketers in his state, he worked closely with the State Attorney to follow the rules; and if any of his customers complained too much about the service or the merchandise they received, they received a quick refund. This insured a clean record with the authorities or the Better Business Bureau. After all, people were beating down the doors to purchase coins.

As an additional precaution, one telemarketer kept "a little drawer of horrors". These were coins which were graded differently by the same service on several occasions or by several different services. He was very proud of this drawer. It was his "collection" and he would take them out to make a point at the least excuse. They were his insurance in case he was ever taken to court over his companies sales practices.

Earlier, we told you about the paucity of the inventories at each telemarketer we visited. Why have inventory? A scheme the telemarketers used was to require payment for coins before shipment. As soon as the money cleared the bank, they would go out into the market or call their wholesale sources to order the required coins. Often a customer would wait weeks before their order was filled. At the other end, we know of cases where telemarketers had gone from paying wholesalers immediately at the time of purchase to a stretched out period of credit. In some cases, greedy wholesalers were left holding big debts while the clients were left with over-valued coins. Only the telemarketers were making money!

Business became so good during the 1980's that many telemarketers advertised on televised cable or financial networks. This was part of their downfall as bigger and more sophisticated investors were hooked. These "fish" began to complain louder using attorneys to recover loses until the greater fool theory for new customers collapsed.

There is not much the numismatic community can do to discourage boiler room operations when the investment climate is "right". Most of their clients are greedy non-numismatists who hear about coins over the financial network or ads in national magazines. Many of these people may have become collectors if they had been introduced to our hobby in a proper manner; but most are lost forever, still buried in purchases they made from telemarketers who went out of business. The changes in numismatics made the telemarketing business less lucrative. We know of a few people who are now selling phone services or cartoon proofs - remember a good salesman can sell anything. Cartoons anyone?

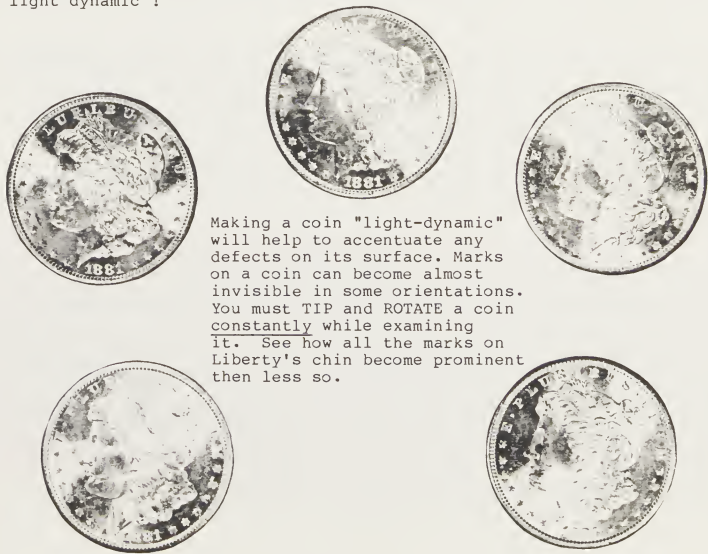
BACK TO BASICS

This month we'll get back to some real basics by giving readers a visual demonstration of a "light dynamic" coin as it is rotated and tipped through a light source. We've chosen to use a photo-flood to illuminate the 1881-S Morgan Dollar shown on this page.

Starting with any of the five positions, you can see a bright flash contrasted with a darker area. The "flash" is caused by the reflection of light from irregularities on a coin's surface. We commonly call this play-of-light the cartwheel effect because of its radial nature (like the spokes of a wheel). The cartwheel changes to a new position with each movement of the coin through our light source. A similar light display occurs whenever we make the surface of a lustrous coin light dynamic.

As the coin is moved through parallel rays of light coming from one direction, its surface orientation changes with respect to the light source causing the light to reflect from different groups of minute radial lines on its surface. The reflection of light from the radials gives the coin its mint luster. The play of light from a coin's luster and the intensity of this flash, is one of the individual factors we use to grade Mint State coins. It also affects one of the other parameters, eye-appeal.

We caution readers that even polished, cleaned, or toned coins can show a cartwheel-type luster; but it may look different. Make a personal commitment to learn what a NATURAL coin looks like, then make that coin "light dynamic"!



Making a coin "light-dynamic" will help to accentuate any defects on its surface. Marks on a coin can become almost invisible in some orientations. You must TIP and ROTATE a coin constantly while examining it. See how all the marks on Liberty's chin become prominent then less so.

MICROSCOPICALLY SPEAKING

We have been interested in overdate varieties on coins from the earliest years we began collecting. Our first introduction to these little treasures came from the "Red Book", A Guide Book of U. S. Coins; and judging from the prices some of them brought we felt they were like treasures of numismatics since many are extremely elusive and many more remain to be discovered. One of our first realizations that there was more to numismatics than the Red Book came many years later, just before we turned our hobby into a profession. Articles in the Numismatist and Numismatic Scrapbook as well as several advertisements selling unlisted overdates alerted us to the fact that many established varieties were not listed in the price guides and new overdates were still being discovered! Best of all, we could join the hunt for free.

It was truly amazing how easy it was to find some relatively common overdate varieties such as the 1851/81 Large cent. It was as if dealers didn't care about them. Well, the fact was, many didn't. Many of these coins were unattributed or being sold for the same price as a normal date coin because the same dealers would not pay a premium to buy them! That quickly took away much of my hope for financial profit as well as some of the fun. If it wasn't a 1918/7-S Quarter or something similar, the dealer reaction to this "cherry-picker" was usually - so what? Thankfully, times are a'changing!

This month, we show "first-time" photographs of what appears to be an unlisted Mercury Dime overdate and give you some hints which may help you to discover other unlisted coins. First the hints. If anyone makes a chart of U.S. Coinage, from 1793 to 1950 with each date down the left column and each denomination across the top, you will have a handy guide to which denominations of coins were struck each year and the time periods each coin was made. You will also have a guide to possible overdate varieties as the Mint often produced overdates on several different denominations each year! By tracking dates such as 1865 where overdates are known on the cent, two cent, and half dime; it seems logical to look at other denominations with that date for new discoveries.

Our photo is a close-up of what appears to be a 1918/7-D Mercury Dime. The coin is in Fine/Very Fine condition and a trace of the seven can be seen in part of the top and most of the bottom loops of the eight! There isn't evidence of damage to the date such as pushed-over metal and we believe this to be an overdate. Unfortunately, the coin is lost; however, it would take more than one coin alone to confirm the variety 100%. The notch in the top of the eight with metal flow might be evidence that the eight was punched into the die twice as none of the other numerals show this effect. For this reason we'll also rule out strike doubling. We wish the top of the eight were flat as on the overdate nickel. This is a very rare coin. We have been searching for fourteen years for a mate without any luck. We'll have more on Mercury Dime overdates later!



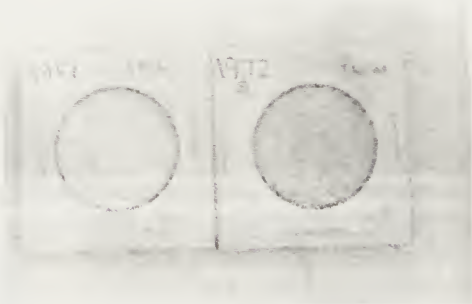
BOOS & GEMS

Two "gems" this month but don't worry; we are waiting to see some examples of the new "service" to grade and slab Colonial coins. We have a great deal to say on the subject - soon!

This "gem" is compliments of Jerry Last who wrote to Coin World to share a quote from the newsletter of the Princeton Bank and Trust Co: "Before you purchase any collectible, it's best to ask yourself this question: 'Am I a Collector or am I an investor?'" For experience has shown that investors who buy collectibles are often disappointed with the return on their investment. But collectors who buy for personal satisfaction are only rarely disappointed."

The next "gem" is a tip courtesy of Earl Blaisdell from Lem Martin. At a local coin show, Earl demonstrated a trick to determine if an Ike Dollar is silver or clad. By placing a silk handkerchief or white tissue over a coin (even in a plastic holder), a marked difference in the density of the color coming thru the covering is evident! This trick works for other series as well. Thanks Earl & Lem. The photograph of the two coins below show the contrast this test reveals. The coin on the left is forty percent silver.

The photo shows a 40% silver coin and a clad coin in holders covered with tissue. The higher the silver content of a coin, the "whiter" it will appear.



COMING UP

Sorry we didn't get more thoughts on magnification & lighting into "focus" this issue. It's also the subject of Lesson 6 in our Coin Grading Correspondence Course so we'll use our lesson for the article outline.

We are writing an article about "whizzing" for our Numismatic News column and we'll use next month's BOOS & GEMS to explain problems associated with the use of this term which might embarrass a few Ex-Perts!

Finally, we are still trying to revise this newsletter into a more professional format while still providing you with a value-packed product. Please be patient.

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